

HOUSING MARKET OUTLOOK

Vancouver and Abbotsford CMAs



CANADA MORTGAGE AND HOUSING CORPORATION

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Vancouver Highlights

- MLS® sales will remain stable until mid-2011, due to steady population growth and favourable mortgage rates.
- Home price appreciation will slow as the recently established balance between sales and listings continues in 2011.
- Improving economic conditions will further support job growth resulting in a moderate increase in new and resale housing sales.
- New home construction will increase modestly in 2011, approaching the ten-year average level as demand for new housing strengthens.

Figure 1



Source: REBGV, Seasonal Adjustment by CMHC. MLS® is a registered trademark of the Canadian Real Estate Association.

¹ MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

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Greater Vancouver² Resale Market

Population growth and favourable mortgage rates will support demand for resale homes, keeping MLS® sales in the Greater Vancouver board area stable until mid-2011. Later in 2011, when improvements in the economy and job market gain more traction, sales are forecast to trend higher. Total sales will dip fourteen per cent in 2010³ before regaining some ground in 2011 with a six per cent increase.

Balanced market conditions that have been established in recent months will continue over the next nine to twelve months. Fewer new listings coming onto the market, due to modest price growth, and a steady pace of sales will gradually draw down the inventory of resale homes for sale. The total stock of active listings has been slowly trending down since spring 2010, and will continue on this trajectory as the flow of new listings entering the market moderates and sales hold steady. Later in 2011, more robust sales will begin to move conditions back towards seller's market territory.

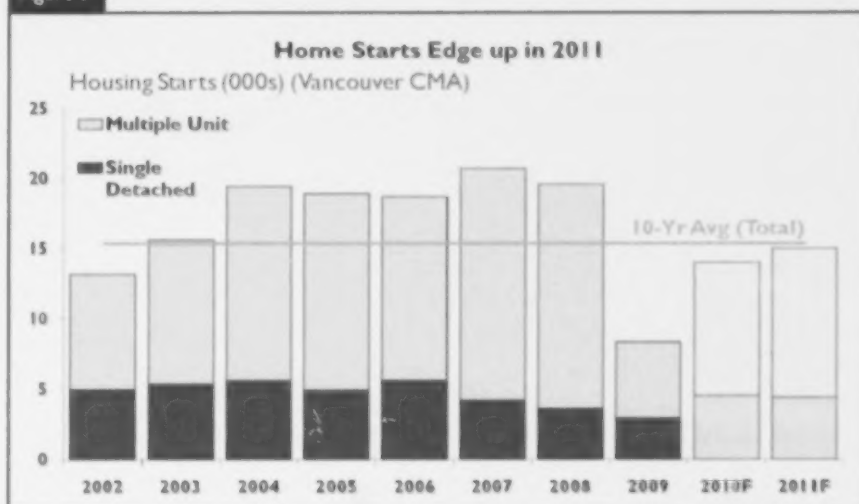
The sales-to-new listings ratio, the leading indicator of price performance, points to moderate price growth in the months ahead (Figure 1). Although new listings have been trending lower for several months, it often takes buyers and sellers some time to adjust prices to changing supply and demand conditions, creating a lag in price movement. The average MLS® home price in Greater Vancouver will increase twelve per cent in 2010, with most of this increase taking place in the early part

Figure 2



Source: REBCV, Seasonal Adjustment and Forecast by CMHC.

Figure 3

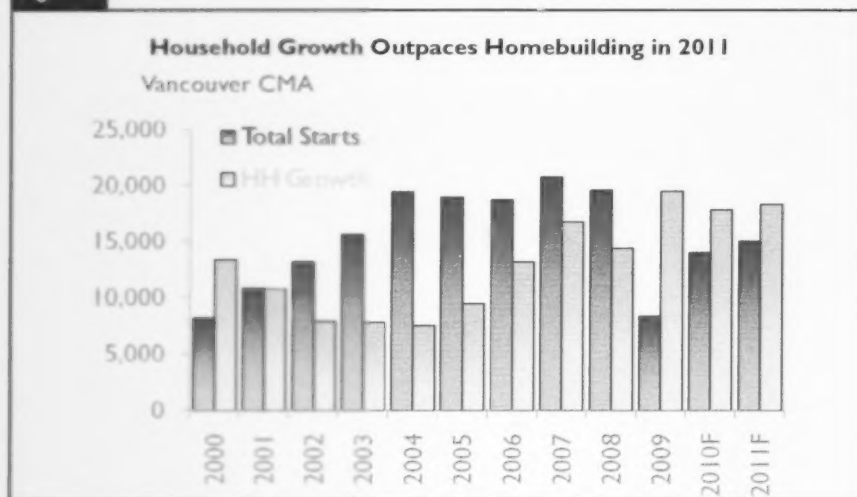


Source: CMHC, CMHC 2010 Q4 Forecast

² This section deals with the resale market in the Real Estate Board of Greater Vancouver area. This area does not include Surrey, Langley, White Rock, or North Delta. Please see the Fraser Valley resale section for commentary on these communities as well as the Abbotsford CMA.

³ The forecasts included in this document are based on information available as of October 8, 2010.

Figure 4



Sources: CMHC, CMHC Forecast (Q4 2010), BC Stats Household Projections, PLO/PLE 35

of the year when sales were stronger and prices higher (Figure 2). Prices have begun to flatten and this trend will be consolidated moving forward. Look for a three per cent increase in the annual average MLS® price next year.

New Home Construction

Following a better than anticipated level of construction in 2010, new home construction in the Vancouver CMA will increase modestly next year (Figure 3). This year, home starts are forecast to increase by more than two-thirds, compared to 2009. A stable resale home market and economic fundamentals will drive a seven per cent increase in homebuilding in 2011.

The increase in residential construction forecast for 2011 will stem entirely from growth in multiple-unit building. The total number of both single detached and multi-family housing starts so far this year has grown compared to last year, but the two have trended in different directions. While single family home construction has begun to moderate in the second half of

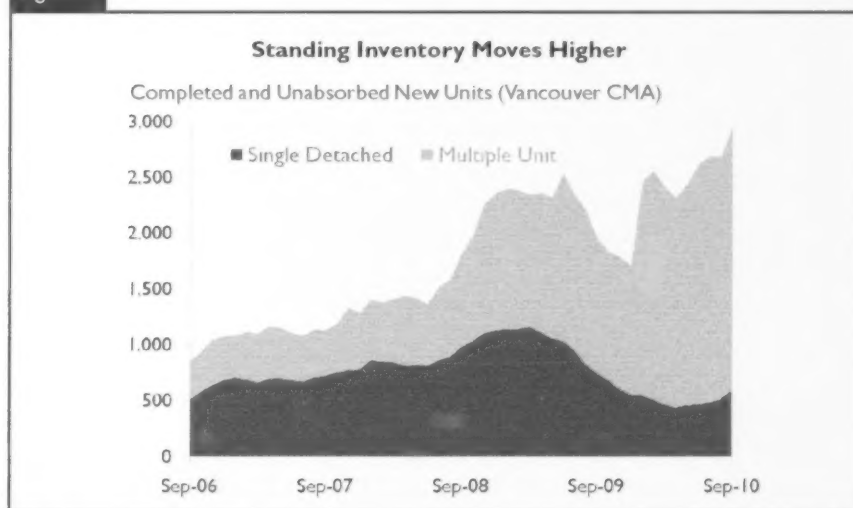
the year, multiple-unit starts have moved higher in recent months. Some single-detached home building was concentrated in the earlier part of the year in advance of the implementation of the Harmonized Sales Tax (HST). Developments that were held back during the 2009 economic downturn are beginning to be released as builders start construction on multi-family projects.

The level of homebuilding will

approach the ten-year average in the year ahead, as developers seek to add to the stock of housing that must accommodate approximately 16,000-18,000 new households each year (Figure 4). Next year will be the third consecutive year that home starts will be below the rate of household formation. In previous years, housing starts outpaced household formation, with excess new homes bought by investors. Employment growth and favourable mortgage rates will also support demand for new homes in 2011. A stable resale home market, with a gradually declining supply of listings for sale, will also encourage developers to build new projects. However, growth will remain modest until some of the standing inventory of completed and unoccupied new homes has been absorbed (Figure 5).

The supply of completed and unabsorbed new multi-family homes has trended higher over the past nine months. While absorptions have remained at a healthy pace this year at approximately 970 units per month, an elevated number multiple-unit

Figure 5



Source: CMHC

projects were completed, which has pushed the number of unsold units higher. As these homes are absorbed in the coming months, developers will start new projects.

Economy

As the local economy continues to add jobs, demand for both new and resale housing will remain firm. The Metro Vancouver economy is expected to grow at a pace slightly above the provincial economy given the more diversified local economy. CMHC is forecasting that the B.C. economy will expand by 3.3 per cent in 2010, and by a further 2.8 per cent next year. The rebound in residential and non-residential construction will fuel job growth over the next year. Some of the larger non-residential projects expected to start construction during the next fifteen months include: the Surrey Memorial Hospital Emergency Department and Critical Care Tower and the BC Place Entertainment Complex, along with many others that are already underway and will continue through 2011⁴.

Consumer spending will also contribute to employment growth in the year ahead, as will service industries, including the finance, insurance and real estate industry. While the unemployment rate will remain elevated compared to levels prior to the economic downturn, job growth will continue. According to CMHC, employment in the Vancouver CMA is forecast to increase two per cent this year and 2.8 per cent in 2011.

Population growth this year and next will support demand for rental and ownership housing. More than 40,000 new residents are expected to settle in Metro Vancouver in 2011. The majority of migrants coming to the area are from other countries, most notably from China, India and Taiwan. As the destination of choice for most new immigrants entering BC, Vancouver will gain all categories of immigrants, including a large share of investor and entrepreneur immigrants. At least 16,000 – 18,000 new households will be formed in the region next year, adding to housing demand.

Mortgage Rates: According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range. For 2011, the one-year posted mortgage rate is assumed to be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Abbotsford CMA

- Modest declines are forecast for the resale market for 2010 and 2011 in both the Fraser Valley⁵ and Abbotsford CMA.
- Modest declines in average resale prices are expected in 2011.
- Housing starts for 2011 will be flat with emphasis on ground-oriented dwelling types (single and semi detached and row housing).

- Job growth will continue through 2011, keeping demand for housing steady in the region.

Fraser Valley Resale Market

After a strong first half in 2010, the home buying demand in the Fraser Valley has eased in the latter half of the year and this should continue into 2011. Increased migration and job growth will drive resale demand, moving sales higher during the second half of next year, but overall sales will be below 2010 levels. Fraser Valley sales will decline four per cent in 2010, and a further three per cent in 2011.

Prices will soften as demand for housing trends lower this year. Modest price improvement is expected in 2011. Prices began to trend lower during the second half of 2010 and this will carry forward into 2011 until sales pick up during the second half of next year. In response to weaker price growth, fewer new listings will be put on the market. This will move supply more in line with homeownership demand and stabilize home prices. Prices are expected to be up five per cent in 2010 and then stay flat in 2011.

Sales will be slightly stronger for centres closer to the Vancouver core. The softening of resale home prices, combined with favourable mortgage interest rates, will have buyers looking in centres such as Surrey and White Rock. Centres away from the core will provide opportunity for more price-conscious homebuyers, as resale prices are expected to decline below the market average.

⁴ Government of BC, Major Projects Inventory, June 2010.

⁵ The Fraser Valley Real Estate Board consists of the following centres: Abbotsford CMA (Abbotsford City, District of Mission), City of Langley, Township of Langley, City of Surrey, City of White Rock and North Delta.

Resale Market

Resales in the Abbotsford CMA are expected to follow the general trend of the Fraser Valley market. Housing demand will moderate causing sales to soften during the first half of 2011. Job growth in the local economy is expected to provide the stimulus for sales to move higher during the second half of next year. Anticipate the annual level of resales in the CMA to be four per cent below 2009 totals, and to slip a further four per cent in 2011.

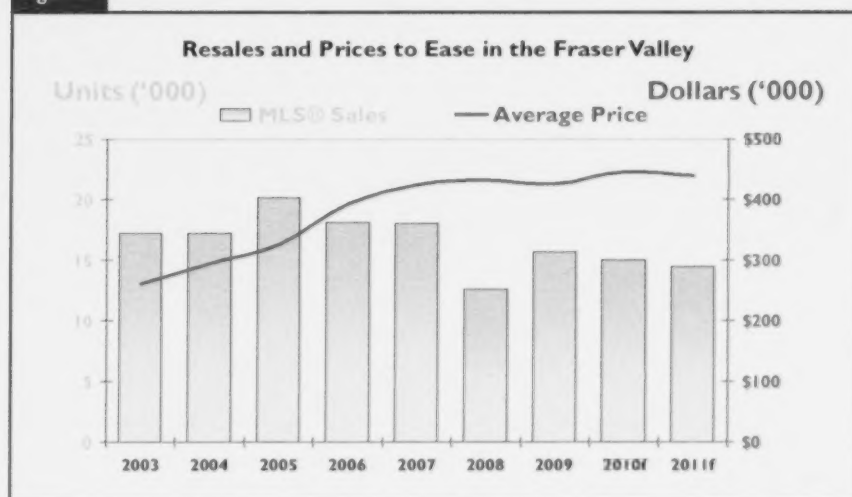
The buyers' market that started in the summer of 2010 will continue through 2011, placing modest downward pressure on Abbotsford home prices. As potential sellers realize that price growth has moderated, the supply of homes listed for sale will ease, moving the resale market towards balanced supply and demand conditions. Prices will stay even in 2010, and then dip three per cent in 2011.

Lower home prices in the CMA provide opportunity for homebuyers. Average prices in the Abbotsford CMA are close to 50 per cent lower than those in the Vancouver CMA. This provides an opportunity among home buyers especially for first time homebuyers to find an appropriate home to purchase. In addition, it should be noted that improvements in transportation have linked surrounding communities to the Abbotsford CMA leading to further commercial and industrial development while making it a more viable location for many homebuyers.

Housing Starts

Developers will limit the supply of new homes coming onto the market. A stronger resale market over the past year has contributed to a

Figure 6



Source: FVREB, CMHC Forecast

Note: FVREB Area includes Abbotsford, Mission, Langley, Surrey, White Rock and North Delta

16 per cent increase in total housing starts compared to 2009 levels. However, with housing demand softening and increased supply on the resale market, housing starts are expected to remain flat in 2011. Lower land prices in relation to the Vancouver CMA, and a stronger labour pool will help keep the price of new homes stable.

The number of completed and unoccupied new homes has steadily declined in the Abbotsford CMA. Developers are keenly watching new supply totals, which in the mid-1990s rose to levels that exceeded local housing demand resulting in higher inventories of unsold new homes. Although current inventory numbers have not approached mid-1990 levels, many developers consider the negative effect of housing supply saturation and are likely to be prudent in their construction plans.

Expect ground-oriented dwelling types (single detached, semi detached and row) to make up more than three-quarters of the new homes built in the Abbotsford CMA in 2010 and 2011. Over the past year, the focus

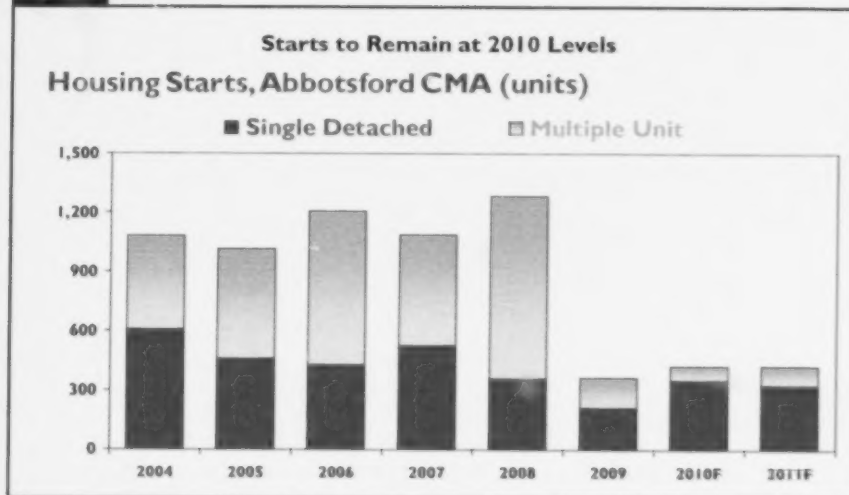
of homebuilding has shifted back to ground-oriented style homes. This trend will continue through the forecast period based on greater availability of land and lower land prices in Abbotsford vis-à-vis Vancouver, and on the ability to more easily phase these types of projects.

Economy

Job growth experienced in 2010 will carry on into 2011. After reaching a high during the middle of 2009, the Abbotsford CMA unemployment rate has trended down through 2010. The construction industry, which was deeply impacted in 2009, saw gains in employment due to an increase in both residential and non-residential projects planned or currently underway in or near the region.

With improvements in the construction industry, spinoffs will be felt in the service sector. Job growth in the retail, transportation and wholesaling sectors are expected during the forecast period. Wage gains will accompany job growth which will stimulate consumer spending, an important driver of the local economy.

Figure 7



Source: CMHC, CMHC Forecast

The economy in the Abbotsford CMA is expected to expand at a more robust rate than the province, but will not create enough demand for home sales to surpass 2010 levels next year.

The economic climate will be favourable for businesses in the region given its proximity to the Vancouver CMA, US border, and major Airport, thus making it a strategic position for many businesses. Net migration to the region is expected to increase annually from 2,000 to 2,500 people during the next couple of years, keeping demand steady for services and housing in the region. Manufacturing is a key industry in the Fraser Valley. Like many other areas in the province, economic growth is dependent on the demand for goods and services locally and abroad. Any easing of business and consumer demand will affect local businesses.

Mortgage Rates: According to CMHC's base case scenario, posted mortgage rates will remain flat in the second half of 2010 and in 2011. For 2010, the one-year posted mortgage rate is assumed to be in the 3.0 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.2 to 6.1 per cent range. For 2011, the one-year posted mortgage rate is assumed to be in the 2.7 to 3.7 per cent range, while three and five-year posted mortgage rates are forecast to be in the 3.5 to 6.0 per cent range.

Forecast Summary Vancouver CMA Fall 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	38,978	25,149	36,257	31,000	-14.5	33,000	6.5
MLS® New Listings	57,145	65,118	54,828	65,000	18.6	60,000	-7.7
MLS® Average Price (\$)	570,795	593,767	592,441	665,000	12.2	685,000	3.0
New Home Market							
Starts:							
Single-Detached	4,211	3,634	2,929	4,500	53.6	4,400	-2.2
Multiples	16,525	15,957	5,410	9,500	75.6	10,600	11.6
Semi-Detached	678	709	330	400	21.2	500	25.0
Row/Townhouse	2,635	2,309	1,655	2,000	20.8	2,200	10.0
Apartments	13,212	12,939	3,425	7,100	107.3	7,900	11.3
Starts - Total	20,736	19,591	8,339	14,000	67.9	15,000	7.1
Average Price (\$):							
Single-Detached	840,045	904,239	905,011	900,000	-0.6	890,000	-1.1
Median Price (\$):							
Single-Detached	659,900	700,000	698,900	665,000	-2.0	690,000	0.7
New Housing Price Index (% chg)	7.1	2.3	-6.3	4.0	-	2.0	-
Rental Market							
October Vacancy Rate (%)	0.7	0.5	2.1	2.0	-0.1	1.8	-0.2
Two-bedroom Average Rent (October) (\$)	1,084	1,124	1,169	1,210	-	1,258	-
One-bedroom Average Rent (October) (\$)	846	880	919	945	-	983	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.11	-	5.54	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.18	-	7.08	-
Annual Employment Level	1,222,700	1,241,600	1,234,200	1,258,000	1.9	1,285,000	2.1
Employment Growth (%)	3.0	1.5	-0.6	1.9	-	2.1	-
Unemployment rate (%)	4.0	4.3	7.0	7.5	-	7.1	-
Net Migration ⁽¹⁾	38,550	38,786	38,000	40,000	5.3	41,000	2.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) 2009 migration data is forecasted

Forecast Summary Abbotsford CMA Fall 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market (1)							
MLS® Sales	18,032	12,588	15,660	15,000	-4.2	14,500	-3.3
MLS® New Listings	29,920	31,826	26,433	30,250	14.4	29,500	-2.5
MLS® Average Price (\$)	423,761	431,781	425,796	445,000	4.5	440,000	-1.1
New Home Market							
Starts:							
Single-Detached	527	358	210	350	66.7	325	-7.1
Multiples	561	927	155	75	-51.6	100	33.3
Semi-Detached	8	46	2	10	##	15	50.0
Row/Townhouse	103	103	21	110	##	110	0.0
Apartments	450	778	132	120	-9.1	145	20.8
Starts - Total	1,088	1,285	365	425	16.4	425	0.0
Average Price (\$):							
Single-Detached	517,840	548,363	540,985	560,000	3.5	565,000	0.9
Median Price (\$):							
Single-Detached	489,950	517,950	520,000	530,000	1.9	535,000	0.9
New Housing Price Index (% chg) (B.C.)	6.4	2.1	-6.5	n.a.	-	n.a.	-
Rental Market							
October Vacancy Rate (%)	2.1	2.6	6.1	6.5	0.4	6.0	-0.5
Two-bedroom Average Rent (October) (\$)	752	765	781	790	-	800	-
One-bedroom Average Rent (October) (\$)	610	627	646	640	-	655	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.11	-	5.54	-
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.18	-	7.08	-
Annual Employment Level	84,800	88,000	86,100	89,000	3.4	89,000	0.0
Employment Growth (%)	3.0	3.8	-2.2	-0.2	-	2.3	-
Unemployment rate (%)	4.2	4.9	7.8	7.0	-	6.3	-
Net Migration ⁽¹⁾	2,462	2,269	2,000	2,300	15.0	2,400	4.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Fraser Valley Real Estate Board (figures may differ from CREA due to inclusion of only single detached and condo data), Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) Resale Market data and forecasts are for the Fraser Valley Real Estate Board Area (Includes Surrey, Langley, North Delta, White Rock, Abbotsford and Mission). Abbotsford CMA Resale Market data is published in the Housing Market Outlook - BC Regional Highlights.

Percentage change more than 200 per cent.

(1) 2009 migration data is forecasted

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